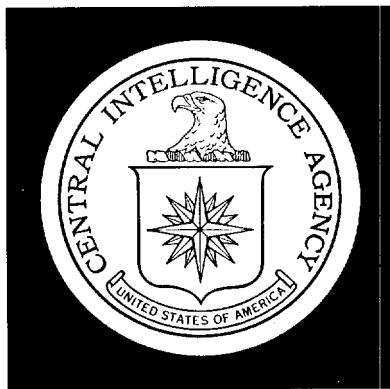


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DIRECTORATE OF
INTELLIGENCE

Central Intelligence Bulletin

Secret

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7 January 1971

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Approved For Release 2003/05/19 : CIA-RDP79T00975A017900110001-1

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No. 0006/71
7 January 1971

Central Intelligence Bulletin

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ISRAEL: The over-all balance of payments was satisfactory in 1970 despite an upsurge in defense-related imports.

According to the senior economist of the Bank of Israel, exports of goods and services increased seven percent in 1970. This figure indicates that the export picture improved considerably since the first half of the year, when exports were up less than four percent from the first half of 1969.

Imports probably increased more than 20 percent in 1970, primarily because defense-related purchases skyrocketed. Import growth was not spurred by private consumption, which increased only four or five percent over-all, that is, between one and two percent per capita, according to the Israeli economist. Despite the austerity measures that restrained consumption, investment increased 15 percent in 1970, indicating that the Israeli economy is likely to continue expanding at a brisk pace.

The relatively high level of imports in 1970 was tolerable given Israel's receipts of foreign exchange from exports, gifts, and borrowings. The minister of finance has labeled 1970 economic performance satisfactory and claimed that foreign exchange reserves have been increased by some \$40 million.

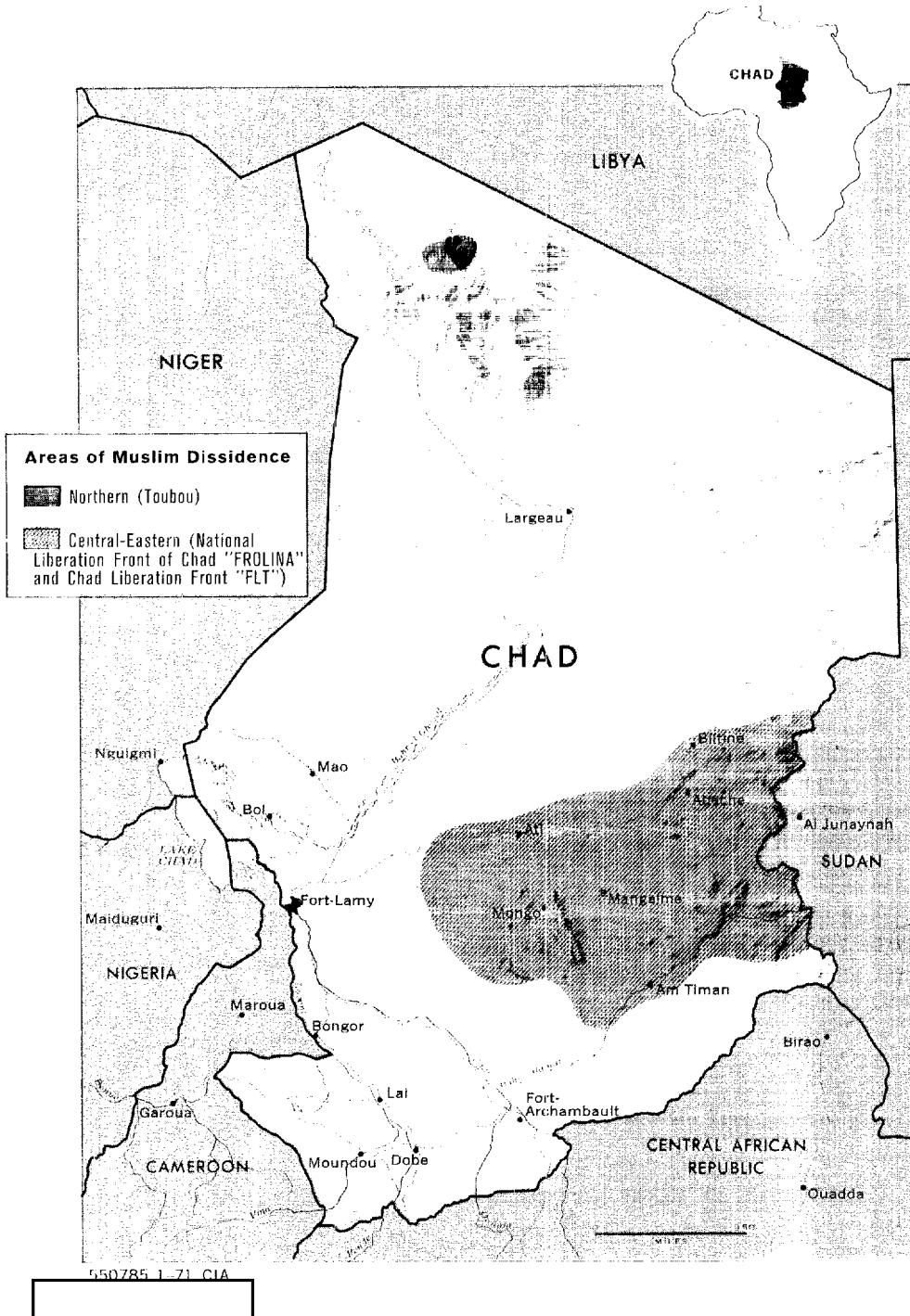
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CHAD: Peace talks between the Tombalbaye government and some Muslim rebel leaders are showing signs of progress, but the insurgency is far from over.

Shortly after a cease-fire went into effect in central Chad last fall, delegates of the principal rebel bands in that area began sporadic negotiations in Fort-Lamy. A government commission has now reportedly reached an agreement with 12 chieftains of the Moubi, the first tribe to rebel in 1965. They have promised to lay down their arms in return for the release of Moubi war prisoners, tribal representation in the single party's politburo, and more administrative authority for local chiefs. This rather generous settlement by the government, which originally offered only a general amnesty, may well encourage the remaining insurgents in the central area to reach an agreement.

Rebels in eastern Chad have shown no discernible interest in coming to terms as yet, and low-level dissidence continues there and in the north. A special Chadian mission sent to improve relations with Libya recently met in Tripoli with the sultan-in-exile of the dissident Toubou tribe of northern Chad. The sultan allegedly responded favorably to the peace proposals presented to him and agreed to come to Fort-Lamy for discussions at an unspecified date. [] (Map)

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URUGUAY: Prospects are improving for the release of at least one of the hostages kidnaped by the Tupamaros five months ago.

The publication this week of the Tupamaros' political manifesto by a Montevideo daily was a significant step toward fulfilling the terrorists' demand that the document be published by major capital media in exchange for the release of Claude Fly, the US agronomist kidnaped on 7 August. The newspaper's action follows promulgation of a liberally interpreted government decree relaxing censorship laws. Previously, the administration had forbade all mention of the Tupamaros or their manifesto.

The government has not penalized the paper for its action, which technically is still a crime, but no other daily has yet followed its lead. Some editors are probably awaiting a reaction by the government, whose policy has at times see-sawed, and a few apparently are still reluctant to accede to the terrorists' demands. If the administration takes no punitive action by the beginning of next week, other papers seem likely to print the document.

Originally, the Tupamaros demanded the release of scores of prisoners in exchange for the hostages, but have gradually scaled down their conditions in the face of the government's refusal to negotiate. The Tupamaros lost considerable sympathy when they murdered one US hostage in August, have gained little from their sequestering of the other two, and seem ready to accept a face-saving formula for the release of Fly.

The other remaining hostage, Brazilian consul Gomide, may still be held even if Fly is released. Gomide's wife has been attempting to raise \$1 million in Brazil to ransom her husband. If her effort fails, the Tupamaros may hope to negotiate directly with the Brazilian Government in the hope of gaining meaningful concessions.

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